

Message Text

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ORIGIN EA-09

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EA/J - MR. SMITH

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

INFO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: CPRS, EINV, ID

SUBJECT: FOREST PRODUCTS CORP. COMPLAINT

REFS: A. STATE 173493 B) STATE 162903

1. PEDERSEN OF FOREST PRODUCTS CORP. MET WITH EA/IMS OFFICERS JULY 5. HIS INTELLIGENCE WAS THAT EMBOFF HAD TENTATIVE APPOINTMENT WITH GOI MINISTER THOYIB IN JAKARTA AUG 1 BUT THIS HAD APPARENTLY FALLEN THROUGH. PEDERSEN HAD MET WITH ICSID EXECUTIVE SECRETARY BROCHES AUG 4 AND WAS MEETING WITH INDONESIAN EMBASSY ECONOMIC COUNSELOR ADIWOSO AUG 6.

2. PEDERSEN STATED THAT FOREST PRODUCTS LAWYERS HAVE STILL MADE NO DECISION WHETHER TO INSTITUTE PROCEEDING AGAINST GOI IN ICSID. FOREST PRODUCTS HESITATES TO INITIATE FURTHER LEGAL ACTION IN INDONESIAN COURTS. IT WOULD BE COSTLY AND TIME-CONSUMING, AND THERE IS DOUBT GOI WOULD IN FACT COMPLY WITH ANY INDONESIAN COURT ORDER.

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3. SUIT AGAINST MITSUI IN HOUSTON COURT WOULD NEVERTHELESS PROCEED, PEDERSEN SAID. HE CLAIMED MITSUI WAS SURPRISED BY FOREST PRODUCTS PETITION AGAINST IT, BUT WITH MITI SUPPORT

MITSUI IS NOW REPORTEDLY TRYING TO LINE UP WITNESSES IN ITS BEHALF IN INDONESIA. MITSUI IS ALSO ALLEGED TO BE CONCERNED ABOUT ITS ABILITY TO COLLECT ON ITS 350,000 DOLS LOAN TO TELAGA MAS. (SINCE FOREIGN PARTY IS INVOLVED, FOREST PRODUCTS LAWYER EXPECTS THERE WILL BE "MORE TO QUARREL ABOUT" AND THIS WILL PROBABLY DELAY PRE-TRIAL HEARING UNTIL EARLY NEXT YEAR. MITSUI HAS RETAINED LEON JAWORSKI'S FIRM AS COUNSEL, AND ITS FORMAL REPLY TO FOREST PRODUCTS SUIT IS EXPECTED AROUND OCTOBER 1.)

4. ALTHOUGH HE ADMITTED THAT REVALIDATION OF JULY 1, 1971 FORESTRY AGREEMENT MIGHT BE A PYRRHIC VICTORY IN THAT DISGRUNTLED GOI FORESTRY OFFICIALS COULD EASILY FIND OTHER WAYS OF FRUSTRATING FOREST PRODUCTS VENTURE, PEDERSEN SAID HE WAS DETERMINED THAT GOI NOT GET IMPRESSION COMPLAINTS FROM FOREIGN BUSINESSMEN WILL GO AWAY IF GOI OFFICIALS CAN STALL LONG ENOUGH.

5. SHORT OF ACTIVELY PUBLICIZING HIS COMPLAINTS WITH GOI, WHICH MIGHT TEND TO ANNOY FEDERAL COURT JUDGE AND DISPOSE HIM AGAINST FOREST PRODUCTS SUIT, PEDERSEN SAYS HE IS NEVERTHELESS RELATING HIS PROBLEMS WITH GOI PRIVATELY TO ANY U.S. FIRM THAT WANTS TO LISTEN. MORE-OVER, WHEAT AND COMPANY, UNDERWRITERS FOR VIRGINIA INTERNATIONAL COMPANY (AN OIL PARTNER WITH ROY M. HUFFINGTON INC.), HAS REPORTEDLY PUT OFF A DOZEN OR MORE POTENTIAL U.S. INVESTORS IN INDONESIA BY ITS TALE OF FOREST PRODUCTS' TROUBLES. WHEAT AND CO. MAY ALSO BE SPREADING WORD TO ITS SEC CONTACTS. PEDERSEN ADDS THAT LADD JOHNSON OF AMERICAN INDONESIAN CHAMBER OF COMMERCE PROBABLY MENTIONS FOREST PRODUCTS CASE WHEN ADVISING AND CAUTIONING POTENTIAL U.S. INVESTORS. PEDERSEN SAID COLUMNIST JACK ANDERSON HAS ALSO BEEN MADE AWARE OF CASE THROUGH HIS CONTACTS WITH JAMES ROOSEVELT AND HIS INTEREST IN LARGESSE OF JAPANESE BUSINESSMEN ABROAD. PEDERSEN UNABLE ADD ANYTHING ABOUT ROOSEVELT'S CONTACTS LIMITED OFFICIAL USE

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WITH CHURCH SUBCOMMITTEE ON MULTI-NATIONAL CORPORATIONS.

6. IN ONE INTERESTING ASIDE, PEDERSEN DISMISSED RECOURSE TO HICKENLOOPER AND GONZALEZ AMENDMENTS AS HAVING ONLY "NUISANCE VALUE".

7. EA/IMS OFFICERS TOLD PEDERSEN THEY WOULD MEET LATER

WITH ADIWOSO AND WOULD KEEP PEDERSEN INFORMED OF ANY DEVELOPMENTS IN JAKARTA.

8. IN MEETING WITH ADIWOSO AUGUST 7 EA/IMS OFFICERS MENTIONED ADVERSE EFFECT FOREST PRODUCTS CASE COULD HAVE ON INVESTMENT CLIMATE AND INFORMED ADIWOSO THAT EMBASSY HAD BEEN INSTRUCTED TO OBTAIN GOI COMMENTS ON CASE AND TO URGE SOEDJARWO TO REPLY TO SOELISTIO'S LETTER OF APRIL 23. SURPRISINGLY, ADIWOSO VOLUNTEERED COMMENT THAT HE HAD TAKEN MORE FAVORABLE VIEW OF FOREST PRODUCTS CASE AFTER MEETING WITH PEDERSEN DAY BEFORE AND HAD CABLED JAKARTA, APPARENTLY URGING MORE SERIOUS ATTENTION TO A RESOLUTION OF PROBLEM. KISSINGER

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